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JUL 11 1986 -10 15 AM

CRAVATH, SWAINE &amp; MOORE JUL 11 1986 -10 15 AM

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ONE CHASE MANHATTAN PLAZA

NEW YORK, N. Y. 10005

JUL 11 1986 -10 15 AM

INTERSTATE COMMERCE COMMISSION

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INTERSTATE COMMERCE COMMISSION

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6 192A050

No.

JUL 11 1986

Date .....

Fee \$ 20.00

ICC Washington, D. C.

July 7, 1986

Consolidated Rail Corporation  
Lease Financing Dated as of June 15, 1986  
8-7/8% Conditional Sale Indebtedness Due January 2, 2002

Dear Ms. McGee:

Pursuant to 49 U.S.C. § 11303 and the Commission's rules and regulations thereunder, as amended, I enclose herewith on behalf of Consolidated Rail Corporation, for filing and recordation, counterparts of each of the following documents:

1. (a) Conditional Sale Agreement dated as of June 15, 1986, between General Electric Company, as Builder, and The Connecticut Bank and Trust Company, National Association, as Vendee; and

(b) Agreement and Assignment dated as of June 15, 1986, between General Electric Company, as Builder, and Mercantile-Safe Deposit and Trust Company, as Agent.

2. (a) Lease of Railroad Equipment dated as of June 15, 1986, between Consolidated Rail Corporation, as Lessee, and The Connecticut Bank and Trust Company, National Association, as Vendee; and

(b) Assignment of Lease and Agreement dated as of June 15, 1986, between The Connecticut Bank and Trust Company, National Association, as Vendee, and Mercantile-Safe Deposit and Trust Company, as Agent.

ICC OFFICE OF  
THE SECRETARY  
JUL 11 1986  
OPERATIONS UNIT

*Consolidated Rail Corporation*

The names and addresses of the parties to the aforementioned agreements are as follows:

1. Agent:

Mercantile-Safe Deposit and Trust Company  
Two Hopkins Plaza  
Baltimore, Maryland 21203

2. Vendee:

The Connecticut Bank and Trust Company,  
National Association  
One Constitution Plaza  
Hartford, Connecticut 06115

3. Builder-Vendor:

General Electric Company  
2901 East Lake Road  
Erie, Pennsylvania 16531

4. Lessee:

Consolidated Rail Corporation  
1310 Six Penn Center Plaza  
Philadelphia, Pennsylvania 19104

Please file and record the documents referred to in this letter and index them under the names of the Agent, the Vendee, the Builder-Vendor and the Lessee.

The equipment covered by the aforementioned documents consist of the following:

22 Model C39-8 diesel electric locomotives bearing the Lessee's identification numbers CR 6000-6021, both inclusive, and also bears the legend "Ownership Subject to a Security Agreement Filed with The Interstate Commerce Commission".

There is also enclosed a check for \$20 payable to the Interstate Commerce Commission, representing the fee for recording the Conditional Sale Agreement and related Agreement and Assignment (together constituting one document), and the Lease of Railroad Equipment and related Assignment of Lease and Agreement (together constituting one document).

Please stamp all counterparts of the enclosed documents with your official recording stamp. You will wish to retain one copy of the instruments and this transmittal letter for your files. It is requested that the remaining counterparts of the documents be delivered to the bearer of this letter.

Very truly yours,

*Laurance V. Goodrich*  
Laurance V. Goodrich,  
as Agent for Consolidated Rail  
Corporation

Noreta R. McGee, Secretary,  
Interstate Commerce Commission,  
Washington, D. C. 20423

Encls.

14993/b  
Filed 1425

JUL 11 1986 -10 15 AM

INTERSTATE COMMERCE COMMISSION

[CS&M Ref: 2046-312]

LEASE OF RAILROAD EQUIPMENT

Dated as of June 15, 1986

between

CONSOLIDATED RAIL CORPORATION

and

THE CONNECTICUT BANK  
AND TRUST COMPANY, NATIONAL ASSOCIATION,

as Trustee Under a Trust Agreement

Certain of the rights and interests of the Lessor under this Lease are subject to a security interest in favor of Mercantile-Safe Deposit and Trust Company, as Agent for certain institutional investors. The original of this Lease is held by said Agent.

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SCHEDULE A      Description of Units of Equipment

SCHEDULE B      Casualty Value

SCHEDULE C      Certificate of Acceptance

SCHEDULE D      Basic Rent

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1/ This Table of Contents has been included in this document for convenience only and does not form a part of or affect any construction or interpretation of this document.

LEASE OF RAILROAD EQUIPMENT dated as of June 15, 1986, between CONSOLIDATED RAIL CORPORATION, a Pennsylvania corporation (the "Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, not individually but solely as Trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with MCCC CORP. (the "Beneficiary").

WHEREAS the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with General Electric Company (the "Builder"), wherein the Builder has agreed to manufacture, conditionally sell and deliver to the Lessor the units of railroad equipment described in Schedule A hereto (the "Equipment"); and

WHEREAS the Builder under an Agreement and Assignment dated as of the date hereof (the "CSA Assignment"), is assigning its interests in the CSA to Mercantile-Safe Deposit and Trust Company, acting as Agent (hereinafter, together with its successors and assigns, called the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessee, the Lessor, the Beneficiary, General Electric Company as guarantor (in such capacity, the "Guarantor"), the Vendor, and certain institutional investors (hereinafter called, together with their successors and assigns, the "Investors"); and

WHEREAS the Lessee desires to lease such number of units of Equipment as are delivered and accepted and settled for under the CSA (the "Units") at the rentals and for the terms and upon the conditions hereinafter provided; and

WHEREAS the parties contemplate that the Lessor will assign certain of its rights in this Lease to the Vendor by an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment"), and the Lessee will consent thereto by a Consent and Agreement (the "Consent"); capitalized terms not defined herein are used as defined in the CSA;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor

*DMR*  
*rights under Paragraph 19 of the Participation Agreement*  
*and the Lessee's*

hereby leases the Units to the Lessee upon the following terms and conditions:

SECTION 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or additional rent or setoff against or recoupment or reduction of rent or additional rent, including, but not limited to, abatements, setoffs, reductions or recoupments due or alleged to be due by reason of any past, present or future claims or counterclaims of the Lessee against the Lessor under this Lease or the CSA, or against the Beneficiary, the Builder or the Vendor or otherwise; provided, however, that nothing in this Section 1 shall be deemed to impair the Lessee's right to assert and sue upon such claims in separate actions. The Lessee's obligations hereunder, including its obligations to pay all rentals, additional rentals and other amounts hereunder, shall be absolute and unconditional under any and all circumstances, and, except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. So long as no Event of Default, or event which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, exists hereunder, if the Lessor or the Beneficiary or anyone claiming through either of them shall interfere with the Lessee's right to possession and use of any Unit in accordance with the terms of this Lease as a result of any tax, claim, lien, charge or security interest that the Beneficiary is obligated to provide the funds to discharge pursuant to Paragraph 19 of the Participation Agreement, the Lessee's obligation to pay rent with respect to such Unit hereunder shall abate for so long as such interference

continues; provided, however, that an authorized officer of the Lessee shall have given 10 days' prior written notice thereof to the Lessor in sufficient detail to identify such Unit and the source, nature and location of such interference, it being understood that such prior notice is of the essence of this Lease and that an abatement of rent by the Lessee without such prior notice will constitute an Event of Default under Section 10(A) after five business days. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof.

SECTION 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. The Lessor will cause each Unit to be delivered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the CSA. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same and, if such Unit is found to be acceptable, to accept delivery of such Unit, and the Lessee shall timely execute and deliver to the Lessor a certificate of acceptance (the "Certificate of Acceptance") in the form annexed hereto as Schedule C, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any Unit of Equipment after December 30, 1986, shall be null and void and ineffective to subject such Unit to this Lease or to constitute acceptance thereof on behalf of the Lessor for any purpose whatsoever. The Lessee will give at least five business days' prior written notice to the Lessor, the Beneficiary and the Vendor of the First Delivery Date (as defined in the Participation Agreement) and of each Closing Date with the Builder under the CSA.

SECTION 3. Rentals. (a) Basic Rent. The Lessee agrees to pay to the Lessor, as basic rental (the "Basic Rent") for each Unit during the Basic Term, 8 consecutive annual payments in arrears payable on the last business day of each calendar year commencing in 1987 and 10 consecutive annual payments in advance payable on the first business day of each calendar year commencing in 1995 (each such annual date being hereinafter called a "Basic Rental Payment Date"). The Basic Rent payable on each Basic Rental Payment



Date for each Unit shall be in accordance with Schedule D hereto. In addition, if the Lessee receives notice from the Vendor pursuant to the second paragraph of Paragraph 19 of the Participation Agreement, the Lessee shall immediately pay to the Vendor, as additional rent hereunder, an amount equal to the Vendee Debt Service Payment (as defined in said Paragraph 19) as to which the Vendor shall have given notice.

(b) Interim Rent. The Lessee agrees to pay to the Lessor, on the last business day of 1986, as interim rent for each Unit leased hereunder, an amount equal to the product of (i) the Purchase Price of such Unit, (ii) 0.02086085 and (iii) the number of calendar days from, and including October 15, 1986, with respect to such Unit to, and including, the last business day of 1986.

(c) Adjustment of Interim Rent, Basic Rent and Casualty Values. With respect to any Unit, the Interim Rent, Basic Rent and the Casualty Values have been calculated on the assumption that the Closing Dates (as such term is defined in the Participation Agreement) with respect to fifteen Units would be July 24, 1986, and with respect to seven Units would be August 27, 1986, except that the Vendee's portion of the Purchase Price with respect to the first Closing Date would be paid on August 1, 1986, and with respect to the second Closing Date would be paid on September 2, 1986.

If for any reason such assumptions are not correct, then the Interim Rent, Basic Rent and the Casualty Values payable by the Lessee hereunder in respect of the Units shall be increased or decreased, as the case may be, by such amount as shall cause the Beneficiary's Net Economic Return (as defined in Section 21(c) of the Participation Agreement) to be the same as if such assumptions had been correct. The Beneficiary shall provide a schedule of such rentals and Casualty Values to the Lessee promptly after such calculations have been made by the Beneficiary. The Lessee may, at its sole cost and expense, seek verification of the Beneficiary's calculation of such proposed adjustments from Babcock & Brown.

In the event that a Tax Change (as hereinafter defined) (i) reduces, increases, defers or accelerates in whole or in part the assumed cost recovery deductions, (ii) reduces, eliminates or defers in whole or in part the assumed investment tax credit or (iii) reduces or increases the maximum statutory corporate tax rate below or above 46%,

and as a result thereof the assumed tax consequences set forth in Paragraph 21(a) of the Participation Agreement are rendered inaccurate, the Interim Rent, Basic Rent and Casualty Values shall be increased or decreased, as the case may be, by such amount as shall cause the Beneficiary's Net Economic Return to be the same as if any such Tax Change had not occurred. In such event, the Beneficiary shall, not later than April 30, 1987, notify the Lessee of the proposed adjustments to the Interim Rent, Basic Rent and Casualty Values on two bases: (a) assuming the then existing CSA Indebtedness and (b) assuming additional debt as contemplated by Paragraph 22 of the Participation Agreement. The Lessee may, at its sole cost and expense, and within ten (10) days of the receipt thereof, seek verification of the Beneficiary's calculation of such proposed adjustments from Babcock & Brown. The Lessee shall notify the Beneficiary within ten (10) business days after the receipt of such proposed adjustments (or within thirty (30) business days thereafter if it requests verification thereof from Babcock & Brown) whether the Lessee (i) accepts the adjustments (specifying whether it elects basis (a) or (b) above) or (ii) elects to terminate this Lease and purchase the Equipment (such notice to be accompanied by a certificate of a Vice President of the Lessee stating that the proposed adjustments render the Lease uneconomic to the Lessee), provided, however, that in the event this Lease is terminated, the Lessee shall not enter into a leveraged lease financing of any of the Units for twelve (12) months following such termination. The Lessee shall, within thirty (30) days after its election to terminate the Lease, pay to the Lessor an amount equal to the greater of (X) the then Fair Market Value of the Equipment or (Y) the sum of (i) the aggregate Purchase Price of the Equipment, (ii) interest on the portion of the aggregate Purchase Price of the Equipment provided by the Beneficiary from and including the date such portion was provided by the Beneficiary to the date of payment by Lessee at 1% over the prime commercial lending rate of Morgan Guaranty Trust Company of New York as publicly announced to be in effect from time to time (the "Prime Rate") (such rate to be adjusted on and as of the date of each change in the Prime Rate), calculated on the basis of a 360-day year for the actual number of days elapsed, but in no event in excess of the maximum interest rate permitted by law, (iii) the aggregate amount of all transaction expenses (including the Lessee advisory fee payable to Babcock & Brown in connection with transactions contemplated by the Participation Agreement, CSA and this Lease) paid by the Beneficiary pursuant to Paragraph 14 of the Participation Agreement together with interest thereon at 1% over the Prime Rate (calculated and

adjusted in the same manner as provided above) from and including the date when paid by the Beneficiary to the date of payment by Lessee and (iv) all other amounts necessary to hold the Beneficiary harmless on an after-tax-basis for any other costs and expenses incurred as a result of such termination, including but not limited to penalties for failure to pay estimated taxes, debt prepayment penalties, costs incurred in filing amended tax returns and taxes payable by the Beneficiary with respect to amounts paid hereunder, in all such events with interest thereon at 1% over the Prime Rate (calculated and adjusted in the same manner as provided above) from and including the date when paid by the Beneficiary to the date of payment by Lessee, less (v) the amount of any Basic Rent paid by Lessee to the extent such Basic Rent was assigned to the Vendor and applied to the payment of principal on the CSA Indebtedness (as defined in the CSA) in accordance with the CSA and less (vi) the excess, if any, of the amount of interim rent and Basic Rent paid by Lessee over the amount of principal and interest paid in respect of the CSA Indebtedness (the "Termination Price"). The Termination Price shall be payable by the Lessee by (i) the assumption by the Lessee of the CSA Indebtedness and all obligations of the Lessor under the CSA as provided in Paragraph 21 of the Participation Agreement and (ii) the payment to the Lessor in immediately available funds of the balance of the Termination Price. On the Termination Date, Lessor shall convey title to the Equipment to Lessee without recourse or warranty.

If a Tax Change shall occur and if the Lessee shall elect not to exercise its option to terminate this Lease and purchase the Equipment, the Lessee and the Lessor each severally agree to pay one-half of all fees and expenses incurred by the Lessee, the Lessor, the Beneficiary, the Vendor, the Agent and the Investors in connection with the operation of this Section and the exercise by the Lessee, Lessor and Beneficiary of their respective rights hereunder. If a Tax Change shall occur and if Lessee shall exercise its option to terminate this Lease and purchase the Equipment, the Lessee shall pay all fees and expenses incurred by the Lessee, Lessor, Beneficiary, Vendor, Agent and Investors in connection with the operation of this Section and the exercise by the Lessee, Lessor and Beneficiary of their respective rights hereunder.

For purposes hereof, the term "Tax Change" shall mean any (1) amendment to or change in the Code or other Federal statute relating to the income tax which is enacted during the term of the 99th Congress, or (2) published

revenue procedure, regulation, revenue ruling or other informational or interpretive release of the Internal Revenue Service or Treasury Department pertaining to or issued as a result of an amendment or change described in clause (1).

The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, Baltimore, Maryland, Hartford, Connecticut, or Philadelphia, Pennsylvania are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee, until all amounts due under the CSA have been fully satisfied and discharged, to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this Section 3 and in Section 7 hereof, but excluding all payments not assigned to the Vendor pursuant to the Lease Assignment, at the principal office of the Vendor, for the account of the Lessor in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Lessor then due and payable under the CSA, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the CSA could constitute an event of default under the CSA shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds immediately available to the Vendor or other appropriate recipient by 12:00 noon, Baltimore time, on the date such payment is due.

SECTION 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, ~~subject to the provisions of Sections 7, and 10, hereof, shall terminate on January 2, 2005 (the "Base Term").~~ *and 13* The obligations of the Lessee and the Lessor hereunder (including, but not limited to, the obligations under Sections 1, 3, 6, 7, 9 and 14 hereof) and under Paragraph 21 of the Participation Agreement shall survive the expiration or termination of the term of this Lease and the full payment of all amounts payable under this Lease. *DM*

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA. If an event of default should

occur under the CSA, the Vendor may terminate this Lease (or rescind its termination), all as provided therein; provided, however, that, so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled (without regard to acts of misappropriation by its own employees) to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment provided under Section 12 hereof.

SECTION 5. Identification Marks. The Lessee will cause each Unit to be numbered with the identification number set forth in Schedule A hereto, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "Ownership subject to a Conditional Sale Agreement filed with the Interstate Commerce Commission", with appropriate changes thereof as from time to time may be required by law or required in the opinion of the Vendor and the Lessor, in order to protect the Lessor's title and the Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and the rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. The Lessee will not change the identification number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to the effect that such statement has been so filed and deposited, and that no other filing, deposit or giving of notice with or to any Federal, District of Columbia, state or local government or agency thereof is necessary to protect the rights of the Vendor and the Lessor in such Units.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

SECTION 6. General Tax Indemnity. (a) Indemnity. The Lessee agrees to pay, and to indemnify and hold harmless the Lessor (both in its individual and trust capacity), the Vendor, the Beneficiary and the Investors and their respective successors, assigns, agents and servants (the "Indemnified Persons") on an after-tax basis, from all license and registration fees and all taxes, assessments, fees, withholdings and charges together with any penalties, fines, additions to tax or interest thereon, however imposed, whether levied or imposed upon any Indemnified Person by any Federal, state, District of Columbia or local government or governmental subdivision in the United States of America or by any foreign country or subdivision or taxing authority thereof or therein, upon or with respect to any Unit; the purchase, sale, storage, ownership, delivery, leasing, re-leasing, subleasing, possession, use, operation, location, maintenance, repair, condition, transfer of title, return or other disposition thereof; the indebtedness with respect thereto; the rentals, receipts or earnings arising therefrom; or this Lease, the CSA, the Lease Assignment, the Consent, the CSA Assignment or the Participation Agreement or any document referred to herein or therein or any of the transactions contemplated hereby or thereby (all such taxes, assessments, fees, charges, penalties, fines, additions to tax and interest imposed hereafter referred to as "Taxes"); excluding, however: (i) United States Federal income taxes, (ii) any net income taxes or other similar taxes measured by net income or net earnings imposed by any state or the District of Columbia or any local subdivision of any thereof in which any Indemnified Person maintains its principal place of business, (iii) any claim for penalties, fines or interest resulting from an act, omission or misrepresentation of such Indemnified Person or anyone acting under, through, or on behalf of such Indemnified Person (other than any act, omission or misrepresentation caused by or resulting from a failure by the Lessee to timely furnish any information reasonably requested by the Indemnified Person for tax filing purposes or to comply with any of its obligations contained herein), and (iv) any Taxes imposed upon the Lessor, Vendor, or Beneficiary as a result of the voluntary transfer of title, sale, or other disposition of the Units other than as a result of the exercise of any remedies pursuant to Section 10 hereof. Clause (iii) above shall not be read as any waiver of any right of action the Lessee may have in respect of any such act, omission or misrepresentation of such Indemnified Person or anyone acting under, through, or on behalf of such Indemnified Person.

(b) Payment. All amounts payable to any Indemnified Person pursuant to this Section 6 shall be paid promptly in immediately available funds and in any event within 15 days after receipt by the Lessee of written demand therefor from such Indemnified Person requesting reimbursement or indemnification for any Taxes, on the basis that such Indemnified Person has paid or within 15 days expects to pay such amounts.

(c) Contest. If any proceeding (including the written claim or written threat of such proceeding) is commenced against an Indemnified Person for any Taxes, such Indemnified Person shall promptly after obtaining knowledge thereof notify the Lessee. Each Indemnified Person will confer with the Lessee, if so requested, and will take such action in connection with contesting any such proceeding as the Lessee shall reasonably request; provided, however, that:

(i) within 30 days after notice by such Indemnified Person to the Lessee of such proceeding the Lessee shall request that it be contested;

(ii) such Indemnified Person, at its sole option, may forego any and all administrative appeals, proceedings, hearings and conferences with any applicable agency with respect to any such claim, accept the findings of such agency or otherwise terminate any audit or other administrative proceedings and may, at its sole option, either pay the Taxes and sue for a refund in such court as such Indemnified Person shall elect, or contest the proceeding in any appropriate forum; provided, however, that the Lessee shall have no obligation to indemnify such Indemnified Person for any such Taxes, if as a result of such Indemnified Person's foregoing of any such administrative appeals, proceedings, hearings or conferences, such Indemnified Person shall lose the right to contest the merits of such imposition or levies; and

(iii) prior to taking such action, the Lessee at its expense shall furnish such Indemnified Person in a timely manner with an opinion of independent tax counsel satisfactory to such Indemnified Person to the effect that there exists a substantial likelihood of such Indemnified Person's prevailing on the merits in the contest of such proceeding; it being understood, however, that in no event shall such Indemnified Person be required to commence any proceeding pursuant to this

paragraph (c) unless the Lessee shall have provided such Indemnified Person with sufficient funds on an interest-free basis to pay such Taxes as are required to be paid so to proceed.

(d) Costs of Contest. The Lessee shall indemnify such Indemnified Person in a manner satisfactory to such Indemnified Person for any liability or loss which such Indemnified Person may incur from time to time as a result of participating in any proceeding described in paragraph (c) of this Section 6. The indemnification shall be an amount which, on an after-tax basis, shall be equal to all costs and expenses which the Indemnified Person may incur from time to time in connection with any such proceeding or any appeal thereof, including, without limitation, reasonable attorneys' and accountants' fees and disbursements, and the amount of any interest, tax or penalty which may ultimately be due and payable as a result of any such proceeding. Such amounts shall be payable within 15 days after the presentation to the Lessee of appropriate documentation in reasonable detail of such costs, expenses, interest, taxes, or penalties and the demand for payment thereof.

(e) Refund. So long as no Event of Default shall have occurred and be continuing, if an Indemnified Person shall obtain a refund of all or any part of such Taxes paid by the Lessee or with the Lessee's advance of funds, such Indemnified Person shall pay to the Lessee the amount of such refund, subject to the Lessee making the indemnification in paragraph (d) of this Section 6. If in addition to such a refund the Indemnified Person shall receive an amount representing interest on the amount of such refund, the Lessee shall be paid that proportion of such interest which is fairly attributable to Taxes paid by the Lessee prior to the receipt of such refund or with an advance provided by the Lessee.

(f) Reports. In case any report or return is required to be made relating to any Taxes, the Lessee will, at its own expense, make and timely file such reports and returns where permitted to do so under applicable rules and regulations (the interest of each Indemnified Person in the Units to be shown in a manner satisfactory to such Indemnified Person) or, where not so permitted, notify such Indemnified Person of such requirement and at the Lessee's expense prepare and deliver such reports to such Indemnified Person within a reasonable time prior to the time such reports are to be filed. Any expenses incurred by such



Indemnified Person with respect to the submission or execution of any such report or return, or the filing or recording thereof, shall be reimbursed to such Indemnified Person by the Lessee in the manner provided in paragraph (d) of this Section 6. Each Indemnified Person agrees to provide the Lessee, in a timely manner, all information requested by the Lessee in the possession of such Indemnified Person which is reasonably required for the preparation and filing of such report or return.

All the obligations of the Lessee and any Indemnified Person under this Section 6 shall survive and continue, notwithstanding payment of all amounts under the CSA and the termination of this Lease, but only with respect to periods included in the term of this Lease. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee or any subsidiary or affiliated corporation of the Lessee of the payment of any installments of principal or interest payable under the CSA, or a guarantee of any residual value of the Units following the expiration of the term hereof as such term may or may not be renewed.

(g) After-Tax Basis. Whenever in this Agreement an amount is required to be paid on "an after-tax basis", the amount so payable shall be increased by an additional amount equal to all Taxes payable by the recipient in respect of the receipt thereof.

SECTION 7. Maintenance; Casualty Occurrences; Insurance. The Lessee, at its own expense and in a manner no less thorough and complete than is the prudent industry standard for Class I line-haul railroads, will maintain, service and adhere to Lessee's standard preventive maintenance schedule with respect to each Unit which will include testing, repair and overhaul so that each Unit will remain (a) in as good operating condition as when delivered (ordinary wear and tear excepted), (b) in compliance with any and all applicable laws and regulations, and (c) suitable for immediate purchase or lease and immediate regular use in main line freight service by a Class I line-haul railroad (not then a debtor in any insolvency, bankruptcy or reorganization proceedings). In no event shall any Unit be maintained or serviced to a lesser standard for maintenance, or serviced on a basis less frequent than the maintenance standard, or maintenance or service scheduling basis, employed as of any given time during this Lease by the Lessee for any similar equipment owned or leased by it at such given time.

In the event that any Unit shall be or become lost, stolen, destroyed or irreparably damaged, or in the opinion of the Lessee worn out from any cause whatsoever, permanently returned to the Builder pursuant to any patent indemnity provision of the CSA, or taken or requisitioned by condemnation or otherwise by the United States Government or by any other government or governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days (or, in the case of the latter, at the election of Lessee, less than 90 days) (such occurrences being hereinafter called "Casualty Occurrences"), prior to the return of such Unit in the manner set forth in Section 14 hereof, the Lessee shall promptly (but in any event within 60 days after such Casualty Occurrence) and fully notify the Lessor, the Beneficiary and the Vendor, with respect thereto. By the later of: (i) the Rental Payment Date next succeeding such event and (ii) the 90th day following such event, provided any such loss, return, taking or requisition shall have continued for at least 90 consecutive days, the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit then due and payable or accrued to such date (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is 360 days) plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the Rental Payment Date on or next succeeding the date of such Casualty Occurrence in accordance with Schedule B hereto referred to below, together with, if such payment is made pursuant to clause (ii) above, interest on the Casualty Value payment from the Rental Payment Date preceding such 90th day to such 90th day, at a rate equal to the higher of 8-7/8% or the "prime" rate of interest as announced from time to time by Morgan Guaranty Trust Company. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or permanent return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best

price obtainable on an "as is, where is" basis, and the Lessee may be a purchaser of such Unit (unless such Unit is declared worn out by the Lessee) and shall notify the Lessor prior to any such purchase by the Lessee. Provided that the Lessee has previously paid the Casualty Value to the Lessor and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor. The Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit permanently returned to the Builder pursuant to any patent indemnity provision of the CSA in an amount equal to any patent indemnity payment in respect of such Unit made by the Builder to the Vendor under the CSA. The Lessee shall pay all costs and expenses in connection with the sale of any Unit involved in a Casualty Occurrence.

The Casualty Value of each Unit as of any Rental Payment Date shall be an amount for that Unit calculated as set forth in Schedule B hereto.

Whenever any Unit shall suffer a Casualty Occurrence after the final payment of rent in respect thereof is due pursuant to Section 3 hereof and before such Unit shall have been returned in the manner provided in Section 14 hereof, the Lessee shall promptly (as provided above) and fully notify the Lessor with respect thereto and, except as provided in Section 14 hereof, pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be an amount equal to the Casualty Value for such Unit on the last Rental Payment Date. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit or return to the Builder of such Unit), the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any such Unit suffering a Casualty Occurrence, or any component thereof, at the best price obtainable on an "as is, where is" basis, and the Lessee may be purchaser of such Unit (unless such Unit is declared worn out by the Lessee) and shall notify

the Lessor prior to any such purchase by the Lessee. Provided that the Lessee has previously paid the Casualty Value to the Lessor and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

In the event of the requisition (other than a requisition which constitutes a Casualty Occurrence) for use by the United States Government or by any other government or governmental entity (hereinafter collectively called the "Government") of any Unit during the term of this Lease, all of the Lessee's obligations (including without limitation the obligation to pay rent) under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease, the Lessee shall be obligated to return such Unit to the Lessor pursuant to Section 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease, but the Lessee shall in all other respects comply with the provisions of said Section 11 or 14, as the case may be, with respect to such Unit except, however, if such Unit shall be destroyed or irreparably damaged, or in the opinion of the Lessee worn out as a result of any requisition that continues to the end of the Basic Term, the Lessee shall have the right to declare a Casualty Occurrence. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee, provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease shall be paid over to, or retained by, the Lessor.

Except as hereinabove in this Section 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any

Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of all Units to the Lessor, at its own expense, cause to be carried and maintained casualty insurance and public liability insurance in respect of the Units at the time subject hereto, against such risks, in such amounts and on such terms and conditions as are satisfactory to the Lessor, the Beneficiary and the Vendor; provided, however, that the Lessor, the Beneficiary and the Vendor will be reasonable in determining such terms and conditions and, in any event, such insurance shall be comparable in amounts and against such risks as are customarily insured against by the Lessee in respect of similar equipment owned or leased by it, but in no event shall such coverage be for amounts or against risks less than the prudent industry standard for Class I line-haul railroads. All policies with respect to such insurance shall provide for payments to the Lessor (both in its individual and trust capacity), the Beneficiary and the Vendor as additional named insureds and loss payees, as their interests may appear, shall provide for at least 30 days' prior written notice by the insurance carrier to the Lessor, the Beneficiary and the Vendor in the event of cancellation, expiration or amendment (and the Lessee shall provide 30 days' prior written notice to the Lessor, the Beneficiary and the Vendor in any such event), shall include waivers by the insurer of all claims for premiums against the Lessor, the Beneficiary and the Vendor, and shall provide that losses are payable notwithstanding, among other things, any act of negligence of the Lessee, the Lessor, the Beneficiary or the Vendor, more hazardous use or occupation of the Units than that permitted by such policies, any breach or violation by the Lessee, the Lessor, the Beneficiary or the Vendor of any warranty, declaration, condition or other provision contained in any such policy, or foreclosure, notice of sale or any other proceeding in respect of the Units, or any change in the title to or ownership of any of the Units. Each such insurance policy shall expressly provide that all of the provisions thereof except the limits of liability (which shall be applicable to all insureds as a group) and liability for premiums (which shall be solely a liability of the Lessee) shall operate in the same manner as if they were a separate policy covering each insured and shall be primary without right of contribution from any insurance carried by the Lessor, the Beneficiary or the Vendor. The Lessee shall, not later than June 15th of each year, commencing on or before First Delivery Date as defined in the Participation Agreement, furnish to the

Lessor, the Beneficiary and the Vendor a certificate of an independent insurance broker acceptable to the Lessor and the Vendor evidencing the maintenance of the insurance required hereunder. The Lessee shall, not later than 30 days prior to the expiration date of any of its insurance policy or policies required to be carried and maintained with respect to the Units under this Section 7, furnish to the Lessor, the Beneficiary and the Vendor a written notice to the effect that (i) the Lessee is in good faith negotiating the renewal of such policy or policies; and (ii) the Lessee expects to furnish to the Lessor, the Beneficiary and the Vendor certificates evidencing renewal of such policy or policies, as promptly as practicable, but in no event later than 15 days after such expiration date. Thirty days prior to the expiration of any insurance policy, the Lessee shall furnish to the Lessor, the Beneficiary and the Vendor written reports on the status of any renewal negotiations of such policies in such detail as shall be reasonably requested by such parties, and provide the Lessor, the Beneficiary and the Vendor with any information with respect to the availability of coverage as is reasonably requested by any of them. Five business days prior to such expiration date, the Lessee shall notify the Lessor, the Beneficiary and the Vendor as to the status of such renewal negotiations. The Lessee shall furnish to the Lessor, the Beneficiary and the Vendor certificates evidencing renewal of such policy or policies not later than 15 days after the expiration date of such policy or policies. In the event that the Lessee fails to renew such policy or policies on the expiration date of any of its policy or policies required to be carried or maintained with respect to the Units under this Section 7, the Lessee shall furnish to the Lessor, the Beneficiary and the Vendor a prompt telephonic notice (promptly confirmed in writing) thereof. In the event that the Lessee shall fail to maintain insurance as herein provided, the Lessor may at its option on five business days' prior written notice to the Lessee (which notice may be given five business days prior to the expiration of such insurance) provide such insurance (giving the Lessee prompt written notice thereof) and, in such event, the Lessee shall, upon demand from time to time, reimburse the Lessor for the cost thereof together with interest on the amount of such cost from the date of payment thereof at the Penalty Rate as defined in Article 16 hereof. The Lessee shall, at its own expense, make all proofs of loss and take all other steps necessary to collect the proceeds of such insurance. If the Lessor shall receive any insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the

Lessee's having made payment of the Casualty Value in respect of such Unit and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, pay such insurance proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value paid by the Lessee with respect to such Unit and, only if the insurance policy has been maintained by the Lessee, any balance of such insurance proceeds shall be paid to the Lessee (provided, however, that, if the Lessee failed to maintain such insurance policy, any balance of such insurance proceeds shall remain the property of the Lessor), and any balance of such condemnation payments shall remain the property of the Lessor (except to the extent such balance includes a pro rata share of the proceeds with respect to any readily removable property of the Lessee). All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired, provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing. Any amounts paid or payable to the Lessor under the foregoing insurance shall not be reduced on account of any amount which may be paid or payable to the Lessor by reason of claims made under any other policies of insurance under which the Lessor is a beneficiary or claimant. Notwithstanding the foregoing, the Lessor shall in no event be obligated to participate in the funding of any self-insurance program of the Lessee. The Lessor and the Beneficiary shall each have the right to carry insurance on the Units for their own benefit; provided that such insurance is carried at the expense of any person other than the Lessee.

SECTION 8. Reports. On or before April 30 in each year, commencing with the calendar year 1987, the Lessee will furnish to the Vendor, the Lessor and the Beneficiary a certificate signed by the Chief Mechanical Officer of the Lessee (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the CSA, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or when withdrawn from use pending a determination of whether a Casualty Occurrence has occurred or pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as

the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by Section 5 hereof have been preserved or replaced. The Lessor, at its sole expense, shall have the right by its agents to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease.

The Lessee shall promptly notify the Lessor, the Beneficiary and the Vendor of any occurrence of an Event of Default or other event which after notice or lapse of time or both would become an Event of Default, specifying such Event of Default and all such events and the nature and status thereof.

SECTION 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. Except as set forth in subparagraph (e) of Section 6 of the Participation Agreement, NEITHER THE LESSOR IN ITS INDIVIDUAL CAPACITY OR AS TRUSTEE, NOR THE BENEFICIARY, MAKES, HAS MADE OR SHALL BE DEEMED TO MAKE OR HAVE MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WHATSOEVER, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY AS TO THE TITLE (EXCEPT THAT THE LESSOR REPRESENTS THAT IT WILL HAVE WHATEVER TITLE IT RECEIVES FROM THE BUILDER IN RESPECT OF EACH UNIT), VALUE, CONDITION, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS FOR USE OF THE UNITS OR ANY PART THEREOF, AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK, OR COPYRIGHT, AS TO THE ABSENCE OF ANY OBLIGATION BASED ON STRICT LIABILITY IN TORT OR OTHERWISE, OR ANY REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE UNITS OR ANY PART THEREOF (EXCEPT THAT THE LESSOR WARRANTS THAT SO LONG AS (i) NO EVENT OF DEFAULT EXISTS HEREUNDER, (ii) THE LESSEE IS COMPLYING WITH PROVISIONS OF THE CONSENT AND (iii) THE VENDOR IS ENTITLED (WITHOUT REGARD TO ACTS OF MISAPPROPRIATION BY ITS OWN EMPLOYEES) TO APPLY THE PAYMENTS (AS DEFINED IN THE LEASE ASSIGNMENT) IN ACCORDANCE WITH THE LEASE ASSIGNMENT, THE LESSEE SHALL HAVE QUIET ENJOYMENT OF THE UNITS AND SHALL BE ENTITLED TO THE OTHER RIGHTS OF POSSESSION, USE AND ASSIGNMENT PROVIDED UNDER SECTION 12 HEREOF), it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the



Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder, including but not limited to claims and rights, under Article 13 of the CSA; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, subleasing, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described herein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, at all times to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads, if applicable, and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units (collectively "Applicable Laws"), to the extent that such Applicable Laws affect the title, operation or use of the Units, and in the event that, prior to the expiration of this Lease or any renewal thereof, (i) such laws or rules require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will comply therewith at its own expense (any such additions which are readily removable without material damage to the Units shall become the property of the Lessee if their removal would not adversely and materially affect the value of the Units and their installation was required by law for limited special use and not general operation) or (ii) such laws or rules

require disposal, removal and dismantlement of or stripping any part or parts of the Equipment from the Equipment, the Lessee promptly will give the Lessor, Vendor and the Beneficiary written notice to such effect in reasonable detail and will set forth in detail a reasonable course of action, determined by the Lessee in good faith and according to the Lessee's normal business practice, for such disposal, removal and dismantlement of or stripping such part or parts of the Equipment. The Lessee shall not dispose of, remove, dismantle or strip any such part or parts of the Equipment without the written consent of the Lessor, Vendor and Beneficiary, which consent shall not be unreasonably withheld; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor, the Beneficiary or the Vendor, adversely affect the property or rights of the Lessor, the Beneficiary or the Vendor under this Lease or under the CSA. The Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to the Units during the term of this Lease as are readily removable without causing material damage to the Units (and do not adversely and materially affect the value of the Units). The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee, except to the extent such additions, modifications, or improvements are described in the following sentence. Any and all parts installed on and additions and replacements made to any Unit (i) which are not readily removable without causing material damage to such Unit and were installed or were added to such Unit in contravention of the provisions contained hereinabove, (ii) the cost of which is included in the Purchase Price of such Unit, (iii) in the course of ordinary maintenance of the Units or (iv) which are required for the operation or use of such Unit by the interchange rules of the Association of American Railroads or by the regulations of the Interstate Commerce Commission, the United States Department of Transportation or any other regulatory body, shall constitute accessions to such Unit and full ownership thereof free from any lien, charge, security interest or encumbrance (except for additions required by law for limited special use and not general operation which are readily removable without causing material damage to the Units and without adversely and materially affecting the value of the Units) shall immediately be vested in the Lessor.

The Lessee agrees to indemnify, protect and hold harmless each Indemnified Person from and against all

losses, damages, injuries, liabilities, claims (including without limitation claims for strict liability, but excluding all losses, damages, injuries, liabilities due to, and any claims for wilful misconduct or gross negligence of the Indemnified Person otherwise to be indemnified) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent, trademark, trade secret and copyright liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of or the occurrence of a default, an event of default or an Event of Default under this Lease or any sublease entered into pursuant to Section 12 hereunder, the ownership of any Unit, the manufacture, ordering, acquisition, use, operation, condition, purchase, sublease, delivery, acceptance, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise expressly provided in Section 14 of this Lease; provided, however, that this paragraph shall not be read as a waiver of any right of action the Lessee may have in respect of any such act, omission or misrepresentation of such Indemnified Person or anyone acting under, through, or on behalf of such Indemnified Person. The indemnities arising under this paragraph shall be paid on an after-tax basis and shall continue in full force and effect notwithstanding (i) the full payment of all obligations under this Lease or the expiration or termination of the term of this Lease and (ii) that an Indemnified Party may have a right to be indemnified by another party.

Except as otherwise expressly provided in Section 14, the Lessee shall bear the responsibility and risk for, and shall not be released from its obligations hereunder in the event of, any damage to or the destruction or loss of any or all of the Units of Equipment. The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required filing date (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor of, or the interest of the Vendor in, the Units, or the leasing thereof to the Lessee.

The indemnities contained in this Section 9 shall survive the expiration or termination of this Lease with respect to all events, facts, conditions or other

circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any Indemnified Person. None of the indemnities in this Section 9 shall be deemed to create any rights of subrogation in any insurer or third party against the Lessee or the Lessor therefor, from or under any Indemnified Person, whether because of any claim paid or defense provided for the benefit thereof or otherwise. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee of the payment of any installments of principal or interest payable under the CSA or a guarantee of the residual value of the Equipment.

SECTION 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein called an "Event of Default") shall occur:

(A) default shall be made in payment of any amount provided for in Section 3 or 7 hereof, and such default shall continue for five business days;

(B) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof;

(C) default shall be made in observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Consent or in the Participation Agreement and such default shall continue for 30 days (except that such period shall be 15 days in the case of Lessee's failure to maintain the insurance coverage required by Section 7) after the earlier of (i) written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied and (ii) the date on which such default shall first become known to any officer of the Lessee;

(D) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to

have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceeding in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision as the same may hereafter be amended; or

(E) any other proceeding shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of such obligations), and, unless such proceeding shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceeding in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such a trustee or trustees or receiver or receivers, within 60 days after such proceeding shall have been commenced;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or actions either at law or in equity to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof including net after-tax losses of Federal income tax benefits to which the Lessor would otherwise be entitled under this Lease; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate

as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents, subject to compliance with all mandatory requirements of law, enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may then be due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such rental period by a fraction of which the numerator is such number of days and the denominator is 360 days) including but not limited to any amounts due the Lessor pursuant to Section 6 hereof and Paragraph 21 of the Participation Agreement; provided, however, that the Lessee shall not be relieved of its obligation under Section 6 hereof or Paragraph 21 of the Participation Agreement except as specifically provided therein; and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rentals which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of 8-7/8% per annum discount, compounded annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated or (y) an amount equal to the excess, if any, of the Casualty Value as of the Rental Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor

by the Lessee pursuant to the preceding clauses (x) and (y) of this part (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the Rental Payment Date on or next preceding the date of termination over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all claims against the Lessor and the Vendor and their agent or agents for damages of whatever nature in connection with any retaking of any Unit in any reasonable manner. The Lessor and the Lessee agree that the Lessor shall be entitled to all rights (such rights being fundamental to the willingness of the Lessor to enter into this Lease) provided for in § 1168 of the Bankruptcy Act or any comparable provisions of any amendment thereto, or of any other bankruptcy act, so that the Lessor shall have the right to take possession of the Equipment upon an Event of Default under this Lease regardless of whether the Lessee is in reorganization.

No failure by the Lessor in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege by the Lessor preclude any other or future exercise thereof, or the exercise of any other right, power or privilege.

SECTION 11. Return of Units upon Default. If this Lease shall terminate pursuant to Section 10 hereof,

the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the condition required by the first paragraph of Section 7 hereof. For the purpose of delivering possession, the Lessee shall:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged or which may have possession thereof to return the Unit or Units) place such Units upon storage tracks of the Lessee or any of its affiliates as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipments, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and, upon application to any court of equity having jurisdiction, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own expense, maintain and keep the Equipment in the condition required by the first paragraph of Section 7 hereof and will permit and cooperate with the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same in a reasonable manner consistent with current industry practices. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which



\$500 for each such day exceeds the actual earnings received by the Lessor with respect to such Unit for each such day.

Without in any way limiting the foregoing obligations of the Lessee under this Section 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of such Unit in the name and on behalf of the Lessee to obtain possession thereof from whomsoever shall be in possession of such Unit at the time.

SECTION 12. Assignment; Possession and Use. So long as no Event of Default exists hereunder, any rights arising under this Lease shall not be assignable in whole or in part by the Lessor or any assignee thereof without the written consent of the Lessee, which consent shall not be unreasonably withheld; provided, however, that the Lessee's consent shall not be required for an assignment in whole to (i) a successor trustee appointed pursuant to the Trust Agreement, (ii) the Beneficiary, (iii) an affiliated company of the Beneficiary (the term "affiliate" for this purpose meaning any corporation which owns all of the stock of the Beneficiary ("Parent") or a wholly owned, directly or indirectly, subsidiary of the Beneficiary or the Parent which files a consolidated tax return together with the Beneficiary) or (iv) any transferee of all the capital stock of the original Beneficiary or of all or substantially all of the investment portfolio of the original Beneficiary. Upon the written notice by the Lessor or any assignee thereof to the Lessee of the request for assignment, the Lessee will have 10 business days to respond to such request; provided, however, that the Lessee's failure to respond within 10 business days shall be deemed to be approval. If the Lessee shall not permit such assignment, the Lessee shall provide the Lessor with a written statement describing in reasonable detail the reasons for such denial. All the rights of the Lessor hereunder shall inure to the benefit of the Lessor's successors and assigns.

So long as no Event of Default exists hereunder, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease and, without the prior written consent of the Lessor, the Lessee may sublease the Units to, or permit their use by, a user incorporated in the United States of America (or any State thereof or the District of Columbia), upon lines of railroad owned or operated by the Lessee or such user or by a railroad company or companies incorporated in the United States

of America (or any State thereof or the District of Columbia), or over which the Lessee, such user, or such railroad company or companies have trackage rights or rights for operation of their trains, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or run-through service, but only upon and subject and subordinate to all the terms and conditions of this Lease; provided, however, that the Lessor's consent, not to be unreasonably withheld, must be obtained for any sublease that is for a term longer than six months; provided further, however, that the Lessee shall not sublease or permit the sublease or use of any Unit to service involving operation or maintenance outside the United States of America except that occasional service in Canada shall be permitted so long as such service in Canada does not involve regular operation and maintenance outside the United States of America; and provided further, however, that any such sublease or use shall be consistent with the provisions of Paragraph 21 of the Participation Agreement. No such assignment or sublease shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety. Within 15 days after the execution of any such sublease, the Lessee shall provide a conformed copy thereof to the Lessor and the Vendor.

The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than a lien, charge, security interest or other encumbrance created by the Lessor, the Beneficiary or the Vendor or resulting from claims against the Lessor, the Beneficiary or the Vendor not related to the ownership of the Units) upon or with respect to any Unit or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrances which arises.

SECTION 13. Termination Option; Renewal Option; Purchase Option. (a) The Lessee shall have the right at its sole option on January 1, 2002 (the "Termination Date") on at least 120 days prior written notice (which notice shall be irrevocable) to the Lessor to terminate this Lease for all, but not less than all, of the Units for any reason whatsoever. After the giving of such notice of termination, the Lessor shall use its reasonable best efforts to obtain all cash bids (which may include a bid or bids from the Lessee) for said purchase of such Units. In addition, the Lessee at its sole option and expense, may also solicit bids. If one or more bids have been received, the Lessor

and the Lessee will jointly evaluate such bids and shall accept the highest bid. The Lessor and the Lessee shall use their commercially reasonable best efforts to conclude such sale on or prior to the Termination Date. On the date of sale, the Lessor shall, without recourse or warranty (except as to the Lessor's liens), deliver to and sell the Units to the bidder or bidders, as the case may be, which shall have prior to such date submitted the highest cash bid. On the Termination Date and upon payment by the Lessee to the Lessor of the amounts, if any, payable pursuant to the first sentence of Section 13(b) or 13(c) hereof, whichever is applicable, the Lessee's obligation to make any payments of Basic Rent pursuant to Section 3(a) hereof due after the Termination Date shall terminate. If the Lessee or the Lessor shall receive a bid for the re-release of some or all of the Units, the Lessor and the Lessee will jointly evaluate the re-release bid and shall accept such bid if such bid is reasonably acceptable to both the Lessor and the Lessee; provided, however, that neither the Lessor nor the Lessee shall be bound to accept any such re-release bid.

(b) If the sale of the Units shall occur on or prior to the Termination Date, the total proceeds realized at such sale shall be retained by the Lessor and, in addition, on the Termination Date, the Lessee shall pay to the Lessor an amount equal to the excess, if any, of (1) the Casualty Value for the Units as of the Termination Date plus all Basic Rent due on or prior to the Termination Date, over (2) the greater of (a) 25% of the original Purchase Price of the Units and (b) the proceeds of the sale of the Units (after deducting the reasonable out-of-pocket selling expenses incurred by the Lessor). During the period prior to a sale pursuant to this Section 13(b) hereof, the Lessee will use its reasonable best efforts to keep the Lessor apprised of the general location of the Units and the Lessee will permit the Lessor or any person designated by it, including the authorized representatives of any prospective purchaser of such Units, at the Lessor's risk and expense, to conduct inspections of the Units so long as such inspections do not interfere with the normal use, operation or maintenance of the Units.

(c) If the sale of the Units shall occur after the Termination Date, on the Termination Date the Lessee shall pay to the Lessor an amount equal to the difference between (1) the Casualty Value on the Termination Date plus all Basic Rent due on or prior to the Termination Date and (2) 25% of the original Purchase Price of the Units. Within three (3) business days following receipt of the proceeds of

the sale of the Units, the Lessor shall pay to the Lessee an amount equal to the excess, if any, of the proceeds of sale of the Units (after deducting the reasonable out-of-pocket selling expenses incurred by the Lessor) over 25% of the original Purchase Price of the Units (but not to exceed the amount previously paid by the Lessee to the Lessor pursuant to the first sentence of this Section 13(c)). In the event of a sale pursuant to this Section 13(c) the Lessee will, at its own cost and expense, at the request of the Lessor, store the Units for a period not exceeding 150 days in accordance with the provisions of Section 14.

(d) Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may elect, by written notice delivered to the Lessor not more than 120 and not less than 60 days prior to the end of the original term of this Lease, to extend the term of this Lease in respect of all, but not less than all, the Units then covered by this Lease for an additional term of one year (or such longer term as the Lessor and the Lessee may agree upon) commencing on the scheduled expiration of the original term at an annual rental payable in arrears in annual payments, in an amount equal to the "Fair Market Rental" of such Units as of the commencement of such extended term, such rental payments to be made on each semiannual anniversary of the Basic Rent Commencement Date in each year of the extended term.

"Fair Market Rental" shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, (i) it shall be assumed that the Units are in the condition and repair required by the first paragraph of Section 7 hereof and that they are free and clear of all liens, claims and encumbrances, (ii) the value of the additions, modifications and improvements as to which Lessee retains title pursuant to Section 9 shall not be included and (iii) costs of removal from the location of current use shall not be a deduction from such value.

(e) Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, at the end of the original term and at the end of the extended term of this Lease the Lessee may elect to purchase all but not less than all the Units then subject to this Lease at the then "Fair Market Value" of such Units, by giving

written notice to the Lessor not more than 120 and not less than 60 days prior to the expiration of such term.

"Fair Market Value" shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's length transaction between an informed and willing purchaser (other than a lessee currently in possession) and an informed and willing seller under no compulsion to sell and, in such determination, the same assumptions applicable to the determination of Fair Market Rental, as set forth in the second paragraph of this Section 13, shall be applied.

Upon payment of the purchase price pursuant to the exercise by the Lessee of its above-specified purchase rights and of all other amounts due with respect to the Units, the Lessor shall, upon request of the Lessee, execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without representations or warranties except that the Units so being sold are free and clear of all liens, charges, security interests and other encumbrances by or in favor of any person claiming by, through or under the Lessor and which the Lessor is obligated to discharge pursuant to the proviso to the last paragraph of Section 12 of the CSA) for such Units, and such other documents as may be required to release such Units from the terms and scope of this Lease and to transfer title thereto to the Lessee, or such assignee or nominee, in such form as may reasonably be requested by the Lessee, all at the Lessee's expense.

If the Lessor and the Lessee shall not have agreed on the Fair Market Rental or the Fair Market Value, as the case may be, on or before the date occurring 60 days prior to the expiration of the Base Term, the renewal and purchase options provided for in this Section 13 shall terminate.

SECTION 14. Return of Units upon Expiration of Term. Unless Lessee shall have purchased and paid for the Units, then as soon as practicable on or after the expiration of the term of this Lease with respect to any Unit, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon appropriate storage tracks of the Lessee at a location or locations mutually agreeable to Lessor and Lessee or, in the absence of such mutual agreement, at a major maintenance terminal or terminals on the lines of the railroad as the Lessee may select, and permit the Lessor to store such Unit on such tracks for a period not exceeding 90 days following

notification to the Lessor by the Lessee that all the Units have been assembled and delivered for storage (the "Storage Period") and transport the same, at any time within the Storage Period, to any reasonable place on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Units during the Storage Period to be at the expense and risk of the Lessee; and in the event that any Unit shall suffer a Casualty Occurrence during such Storage Period, the Lessee shall pay the Lessor the Casualty Value thereof as provided in Section 7 hereof; provided, however, that Lessee shall have no obligation to pay Lessor the Casualty Value for a Unit which suffers a Casualty Occurrence while being operated by Lessor or its agents during the Storage Period, or which, at the specific direction of the Lessor, is stored or operated in a manner different from the normal storage or operational practice of the Lessee. During such Storage Period the Lessee will permit the Lessor or any person designated by it, including the authorized representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same in accordance with normal industry practice and consistent with the intended use of the Units; provided, however, that the Lessee shall not be liable, except in the case of negligence, wilful misconduct or strict liability of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, on behalf of either the Lessor or any prospective purchaser, lessee or user, such rights of inspection. Each Unit returned to the Lessor pursuant to this Section 14 shall be in the condition required by the first paragraph of Section 7 hereof and free and clear of all liens, charges, security interests or other encumbrances (other than liens, charges, security interests or other encumbrances created by the Lessor, the Beneficiary or the Vendor or resulting from claims against the Lessor, the Vendor or the Beneficiary not related to the ownership of the Units). The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance thereof. During the period that the Units are being assembled and delivered for storage and during the Storage Period, the Lessee will, at its own expense, maintain and keep the Units in the condition required by the first paragraph of Section 7 hereof and will permit the Lessor or any person designated by it, including the authorized representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same. All

rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day from the date of such termination an amount equal to the amount, if any, by which \$500 for each such day exceeds the actual earnings received by the Lessor with respect to such Unit for each such day.

The Lessee further agrees, the Lessee's reasonable operational requirements permitting, that the Lessor, at the Lessor's cost and expense, may, after the expiration of the 90-day period referred to above, store such Units upon such storage tracks of the Lessee as the Lessee reasonably designates. The storage charge shall be in accordance with the then current applicable tariff.

SECTION 15. Recording. The Lessee, at its cost and expense, will cause this Lease and the CSA, prior to the delivery and acceptance of any Unit hereunder, and any assignment of either thereof, on or promptly after the Closing Date, to be filed in accordance with 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (and notice of such deposit to be given forth in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada. The Lessee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to its satisfaction, of the Vendor's and the Lessor's rights in the Units, or for the purpose of carrying out the intention of this Lease, the CSA and the assignments hereof and thereof to the Vendor; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing, recording and other acts which may be required under this Section 15, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor.

SECTION 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an

amount on the overdue rentals and other obligations for the period of time during which they are overdue at a rate equal to the higher of (i) 9-7/8% or (ii) the "prime" rate of interest as announced from time to time by Morgan Guaranty Trust Company ("Penalty Rate").

SECTION 17. Lessor's Right To Perform for the Lessee. If the Lessee fails to perform or comply with any of its agreements contained herein, the Lessor may (but shall not be obligated to do so) upon notice to the Lessee itself perform or comply with such agreement, and the amount of the reasonable cost and expenses of the Lessor incurred in connection with such performance or compliance, together with interest on such amount at the Penalty Rate, shall be payable by the Lessee upon demand except as otherwise provided in this Lease. No such performance or compliance by the Lessor shall be deemed a waiver of the rights and remedies of the Lessor or any assignee of the Lessor against the Lessee hereunder or be deemed to cure the default of the Lessee hereunder.

SECTION 18. Notices. Any notice required or permitted hereunder shall be deemed to have been received by the addressee on the date of actual receipt (if such date is a business day, otherwise on the next business day) if transmitted by mail, air courier, telex, telecopy or similar transmission, or by hand, addressed as follows:

(a) if to the Lessor, at The Connecticut Bank and Trust Company, National Association, One Constitution Plaza, Hartford, Connecticut 06115, Attention of Corporate Trust Department, with a copy to the Beneficiary at its address set forth in the Participation Agreement; and

(b) if to the Lessee, at Consolidated Rail Corporation, 1310 Six Penn Center Plaza, Philadelphia, Pennsylvania 19103, Attention of Assistant Treasurer-Financing;

or at such other address or either party shall have designated to the other party in writing. Copies of each such notice shall be given to the Vendor at P. O. Box 2258 (or if by hand, 2 Hopkins Plaza), Baltimore, Maryland 21203, Attention of Corporate Trust Department and to the Guarantor at its address set forth in the Participation Agreement.

SECTION 19. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited



or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Lease exclusively and completely states the rights and obligations of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

SECTION 20. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

SECTION 21. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Lease or any assignment hereof shall be filed or deposited.

SECTION 22. Lessor's Liability. Anything herein to the contrary notwithstanding, each and all of the representations, warranties, undertakings and agreements herein made on the part of the financial institution acting as the Lessor are made and intended not as personal representations, warranties, undertakings and agreements by said financial institution or for the purpose or with the intention of binding it personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by the said financial institution solely in the exercise of the powers expressly conferred upon it as

the

by

**Attest:**

by

**Attest:**

COMMONWEALTH OF PENNSYLVANIA, )  
 ) ss:  
COUNTY OF PHILADELPHIA, )

On this 8<sup>th</sup> day of July 1986, before me personally appeared David M. Lekan, to me personally known, who, being by me duly sworn, says that he is the Vice President & Treasurer of CONSOLIDATED RAIL CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Marianne C. Baker  
Notary Public

[Notarial Seal]

My commission expires MARIANNE C. BAKER  
Notary Public, Phila., Phila. Co.  
My Commission Expires Aug. 4, 1988

STATE OF CONNECTICUT, )  
 ) ss.:  
COUNTY OF HARTFORD, )

On this \_\_\_\_\_ day of July 1986, before me personally appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn, says that he/she is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the seal of said national association and that said instrument was signed and sealed on behalf of said national association by authority of its Board of Directors, and he/she acknowledged that the execution of the foregoing instrument was the free act and deed of said national association.

\_\_\_\_\_  
Notary Public

[Notarial Seal]

My commission expires \_\_\_\_\_

Description of Units of Equipment

<u>Type</u>	<u>Builder</u>	<u>Quantity</u>	<u>Estimated Base Price Per Unit</u>	<u>Lessee's Identification Numbers (Both Inclusive</u>
Model C 39-8 3,900 h.p. diesel- electric locomotive	General Electric Company	22	\$1,187,975.54	CR 6000- 6021

Casualty Value

(Exclusive of Rent)

<u>Basic Rental Payment Dates*</u>	<u>Percentage of Purchase Price Per Unit</u>
1986 .....	103.4038%
1987 .....	104.8420
1988 .....	102.4526
1989 .....	99.1113
1990 .....	94.6618
1991 .....	89.4434
1992 .....	84.0905
1993 .....	80.0016
1994 .....	75.8160
1995 .....	67.4520
1996 .....	62.3340
1997 .....	56.9655
1998 .....	51.3344
1999 .....	45.3794
2000 .....	39.0601
2001 .....	32.5303
2002 .....	25.8157
2003 .....	23.4962
2004 .....	20.0000
2005 .....	20.0000

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\* Last business day of the years 1986-1994  
First business day of the years 1995-2005

Certificate of Acceptance

To: (the "Lessor")

I, the duly authorized representative for the Lessor and Consolidated Rail Corporation (the "Lessee") under the Lease of Railroad Equipment, dated as of June 15, 1986, do hereby certify that I inspected and accepted delivery thereunder of the following Units of Equipment:

TYPE OF EQUIPMENT: Diesel electric locomotive  
MODEL: C 39-8  
DATE ACCEPTED:  
NUMBER OF UNITS:  
NUMBERED: CR  
MANUFACTURER'S NUMBER:

I do further certify that the foregoing Units are in good order and condition, and conform to the specifications, requirements and standards applicable thereto as provided in the Lease.

I do further certify that each of the foregoing Units has been marked upon each side of each such Unit in letters not less than one inch in height as follows:

"Ownership Subject to a Conditional Sale Agreement filed with the Interstate Commerce Commission."

The execution of this Certificate will in no way relieve or decrease the responsibility of the Builder named below for any warranties it has made with respect to the Equipment.

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Authorized Representative of  
Lessor and Lessee

BUILDER:

General Electric Company

Basic Rent

<u>Basic Rental Payment Dates</u>		<u>Percentage of Purchase Price Per Unit</u>
	1987	6.852794%
Last	1988	6.852794
Business	1989	6.852794
Day	1990	6.852794
of	1991	6.852794
the	1992	6.852794
Year	1993	8.375620
	1994	8.375620
	1995	8.375620
First	1996	8.375620
Business	1997	8.375613 <sup>20</sup>
Day	1998	8.375613 <sup>20</sup>
of	1999	8.375613 <sup>20</sup>
the	2000	8.375613 <sup>20</sup>
Year	2001	8.375613 <sup>20</sup>
	2002	8.375613 <sup>20</sup>
	2003	3.807111
	2004	6.017027
		6.070277

*DME*